

## Message Text

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ACTION NEA-10

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NEA, SOBER FROM MIKLOS

E.O. 11652: N/A  
TAGS: EIND ELT, EFIN, IR

SUBJ: FORD MOTOR COMPANY MANUFACTURING PROPOSAL

1. E/C COUNSELOR ON DEC 20 SPOKE WITH MESSRS KENNETH HOLLOWAY (FORD VICE PRES FOR MID EAST AND AFRICA) AND P C LINDGREN (FINANCIAL PLANNING MANAGER) ON LATEST STATE OF PLAY FOR FORD'S PROPOSAL TO IRAN NATIONAL INDUSTRIAL MANUFACTURING (INIM) FOR A JOINT VENTURE TO MANUFACTURE MOTOR VEHICLES IN IRAN. RESULTS THIS CONVERSATION, TOGETHER WITH A RECOMMENDATION TO THE DEPT, FOLLOW.

2. MR HOLLOWAY CHARACTERIZED HIS TWO DAYS CONVERSATIONS WITH INIM'S MANAGING DIRECTOR, MR KAYAMI, AS QUITE SATISFACTORY. WHEREAS DURING THE SUMMER MONTHS OF 1977 HOLLOWAY THOUGHT THAT IRAN NATIONAL WAS TILTING IN THE DIRECTION OF VOLKSWAGON AS THE FOREIGN COLLABORATOR, HOLLOWAY NOW FEELS THAT FORD HAS A GOOD CHANCE OF SUCCESS FOR ITS MANUFACTURING PROPOSAL DESPITE CONTINUING INIM-VOLKSWAGON CONVERSATIONS. KAYAMI IN FACT TOLD HOLLOWAY THAT HE PERSONALLY IS "INCLINING TOWARD" FOR ALTHOUGH THE FORD REPS BELIEVE THAT SOME OF THE SENIOR STAFF AT INIM MAY FAVOR VOLKSWAGON.

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3. INIM HAS SELECTED THE TOWN OF SANJAN IN THE NORTH WEST PART OF IRAN, NEAR TABRIZ, AS THE SITE OF THE FACTORY. HOLLOWAY FINDS THIS SITE BETTER THAN MESHED IN TERMS OF THE ECONOMICS OF THE PROPOSAL BUT NOTES THAT SANJAN WOULD NOT BE THE MOST DESIRABLE SPOT TO LIVE IN FROM THE VIEWPOINT OF FORD'S PERSONNEL. NONETHELESS, FORD IS PREPARED TO LIVE WITH SANJAN. UNDER THE NEW SET OF ASSUMPTIONS, SAID MR HOLLOWAY, THE FORD-INIM JOINT VENTURE WOULD

PRODUCE 150,000 VEHICLES ANNUALLY RISING TO 250,000 OVER TIME. HOLLOWAY SAID THAT WITH PROBABLE USG REQUIREMENTS FOR LIGHTER AND SHORTER VEHICLES FOR THE US, SUCH A NEW FORD LINE, FRONT WHEEL DRIVE, COMING OUT DETROIT IN A YEAR OR TWO COULD BE MANUFACTURED IN IRAN. ADDITIONALLY, THE JOINT VENTURE WOULD MANUFACTURE 100,000 SETS OF POWER-TRAIN COMPONENTS FOR THE PAYKAN AND PEUGEOT VEHICLES. ACCEPTS 100 PERCENT LOCAL CONTENT OVER TIME.

4. MR HOLLOWAY SAID THAT KAYAMI PUT FORWARD THE FOLLOWING SCENARIO:

1. FORD AND INIM WILL CONTINUE THEIR TALKS. 2. FORD WILL SUBMIT A FINAL DETAILED PROPOSAL SOMETIME IN EARLY 1978. 3. MR KAYAMI WOULD "ARRANGE" FOR MINISTER OF INDUSTRIES AND MINES RAZA AMIN, AND MINISTER ECONOMIC AFFAIRS AND FINANCE YEGANEH TO GO TO US IN FEBRUARY TO RECEIVE FORD'S FORMAL PRESENTATIONS. 4. ASSUMING FAVORABLE RECEPTION OF THE PROPOSAL BY THE TWO MINISTERS, FORD WOULD THEN MAKE A PRESENTATION TO THE SHAH. KYAMI SAID THAT THE SHAH WOULD MAKE THE FINAL DECISION. (KAYAMI TOLD MR HOLLOWAY THAT THE RECENTLY APPROVED PEUGEOT DEAL, INVOLVING NO INVESTMENT BY PEUGEOT OF FRANCE, WAS FORCED ON INIM WHO REALLY DIDN'T WANT THE DEAL).

5. HOLLOWAY SAID THAT WHILE PEUGEOT APPARENTLY AGREED TO EXPORT FROM IRAN 15 PERCENT OF PRODUCTION (AN UNWISE DECISION BY PEUGEOT HER THINKS), FORD WOULD NOT BE ABLE TO GIVE SUCH A COMMITMENT. AT THE SAME TIME FORD IS PREPARED TO ENTERTAIN THE IDEA OF PUR-

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CHASING IRANIAN PIG ALUMINUM TO A LEVEL OF ABOUT 20 PERCENT OF IRAN'S IMPORTS OF CKS'S FROM EUROPE OR US. FURTHER, FORD WOULD BE PREPARED TO PURCHASE FINISHED ALUMINUM VEHICLE PARTS FROM IRAN IF SUCH IRANIAN CAPACITY WERE DEVELOPED. EVIDENTLY, THE MATTER OF EXPORTS WILL BE AN IMPORTANT FACTOR IN THE FINAL DECISION.

6. COMMENT AND RECOMMENDATION. THE EMB BELIEVES THAT THE FORD PROPOSAL REPRESENTS A POTENTIALLY VERY LARGE PIECE OF BUSINESS FOR US. ON THE ASSUMPTION THAT A US MANUFACTURED VEHICLE WILL COMPRISE PART OF THE PRODUCTION LINE, ONE COULD EXPECT SOME \$200 TO \$250 MILLION WORTH OF CKD EXPORTS FROM THE US TO IRAN FOR EACH OF SEVERAL YEARS IN 1980'S. EXPORTS FROM FORD PLANTS IN EUROPE WOULD MEAN A 20-30 PERCENT POSITIVE IMPACT ON OUR BALANCE OF PAYMENTS. FINALLY, AN APPROVED FORD-INIM MANUFACTURING PROPOSAL WOULD BE AN EXCELLENT ANNOUNCEMENT TO BE MADE IN THE COURSE OF THE US-IRAN JOINT COMMISSION MEETING TO BE HELD IN WASHINGTON IN FEBRUARY 1978.

7. ACTION REQUESTED: EMB REQUESTS DEPT REVIEW FOREGOING AND IF IT CONCURS IN EMB JUDGEMENT, TO RECOMMEND THAT PRES BE ALERTED TO THESE DEVELOPMENTS IN CONNECTION WITH HIS VISIT TO TEHRAN ON DEC 31. EMB BELIEVES THAT IT WOULD BE HELPFUL FOR THE PRES TO NOTE

THE FORD PROPOSAL AND TO EXPRESS THE HOPE THAT NEGOTIATIONS WOULD  
PROSPER AND RESULT IN A FAVORABLE OUTCOME FOR BOTH IRAN AND THE  
US.  
SULLIVAN

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## Message Attributes

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